“JK Tyre & Industries Limited

Q3 FY24 Earnings Conference Call”

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MODERATOR: **MR. CHIRAG JAIN – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Hello. Ladies and gentlemen, good day, and welcome to JK Tyre & Industries Q3 FY '24 Earnings Conference Call hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Chirag Jain from Emkay Global Financial Services. Thank you, and over to you, sir.

Chirag Jain: Thank you, Aditya. Good evening, everyone. On behalf of Emkay Global Financial Services, I would like to welcome you all to the 3Q FY '24 earnings conference call of JK Tyres. Today, we have with us from the management team; Mr. Anshuman Singhania, Managing Director; Mr. Arun K. Bajoria, Director and President, International Operations; Mr. Anuj Kathuria, President, India Operations; Mr. Sanjeev Aggarwal, Chief Financial Officer; and Mr. A. K. Kinra, Financial Advisor.

I shall now hand over the call to the management for their opening remarks, post which we'll open the floor for Q&A session. Over to you, sir.

Anshuman Singhania: Good evening everyone. I welcome you all for joining JK Tyre's Q3FY24 earnings call. On behalf of JK Tyre family, I wish you and your families a very Happy New Year 2024.

It is with immense pride, I share with you all that financial year 2024 so far has been a year of noteworthy achievements in our business. Amongst many, JK Tyre successfully completed its QIP of Rs.500 crore which received overwhelming response from marquee investors, reinforcing confidence in our growth story. This is in addition to Rs.240 crore raised from IFC-W in March' 2023 by way of preferential issue.

Talking about Q3 FY24 performance, JK Tyre continued to pursue profitable growth centered on product premiumization, volume expansion and improved product mix. Quarter 3 witnessed significant improvement in operating profitability and achieved an EBIDTA of Rs.563 crore on revenues of Rs.3,700 crore. The net debt at Rs.3,456 crore registered a 24% reduction from the levels recorded in March 2023. Return ratios have also improved significantly over March' 2023.

Strong momentum in economic activities and positive consumer sentiments across product categories continue to provide tailwinds to both automobile and tyre industry. In Q3, JK Tyre has clocked a volume growth of 7% mainly contributed by replacement and OEM segment, which grew by 11% and 6% respectively over the corresponding quarter. However, exports have seen a volume reduction of 8% due to geo-political disturbances and supply chain disruption.

The ongoing capacity expansion projects for TBR and PCR are progressing as per schedule and full production ramp-up will be achieved by end of FY24. We have further announced implementation of capacity expansions in TBR, PCR and All Steel Light Truck Radial (ASLTR) tyres for an aggregate cost of Rs.1,400 crore.

Recently, JK Tyre hosted the 19th edition of Indian Car of The Year (ICOTY) and Indian Motorcycle of The Year (IMOTY) awards 2024, the most coveted and prestigious awards in the Indian Automotive Industry, a platform created by JK Tyre.

CV segment continued to witness high single-digit growth with demand supported by government impetus on infrastructure, mining & construction, growth in core industries, rising tourism and sustained growth in e-commerce activities.

The PV segment growth trajectory continued for two consecutive financial years with introduction of new models launched and positive consumer sentiments towards SUVs. The PV sales growth momentum is expected to continue going forward.

On tyre sector outlook: Demand momentum continues to be steady in the domestic market. We remain optimistic for the tyre sector in the medium to long term. The demand is primarily driven by private sector capex, higher vehicle utilization, increased disposable income and as mentioned earlier impetus on infrastructure.

On exports outlook, the global environment continues to remain challenging as supply chain disruptions have erupted on account of Red Sea crisis, which has increased ocean freight rates. However, the demand is on a recovering trajectory in the global market.

On channel development: During the quarter, we added 35 brand shops and 40+ fleet customers to enhance our brand presence in the replacement segment. We are continuously growing our network in identified white spaces.

We have further strengthened our presence for supplies of XM, XF and XD series tyres in EV buses and CV models across OEMs.

Our thrust on increasing R&D spend will further enhance our range of innovative products in the portfolio.

Focus on ESG is one of our key strategic priorities. We are investing in renewable energy at all our plants to become more sustainable.

We are committed to deliver strong operational and financial performance with a focus on growth plans. The same will enable us to deleverage the balance sheet further and enhance stakeholder's value.

Now, I request Mr. Bajoria to talk about the performance of JK Tornel, Mexico.

Arun Bajoria: Thank you, MD sir, In Q3FY24, JK Tornel, Mexico displayed resilience, sustaining robust performance in both overall revenue and profitability. Despite the challenges associated with the lower number of working days typical of the third quarter, the company achieved a turnover of 1291 Million Pesos (equivalent to Rs.620 crore), maintaining stability on a year-on-year basis.

Operating profits at EBIDTA level remained steady at 102 Million Pesos (equivalent to Rs.49 crore), showcasing the company's consistent financial strength. Notably, JK Tornel retained its leadership position in the Mexican PCR market, boasting the highest market share among all tire manufacturers. To further strengthen its market presence, the company is actively gearing up for the launch of new brand of PCR tyres.

Earlier, the performance was affected by the continuous appreciation of the Mexican Peso, impacting exports. However, the gradual increase in private consumption in Mexico, coupled with positive per capita income growth, is fostering a supportive environment for domestic demand, a trend expected to persist in the upcoming quarters.

We actively participated in the world's largest Tire Exhibition, the "SEMA SHOW," held in Las Vegas during Q3FY24. The positive response received from customers at this event underscores the company's strong market position and customer satisfaction.

Now, I request Mr. Aggarwal to brief about the financial performance of the quarter.

Sanjeev Aggarwal: Thank you, sir. Let me briefly share the key highlights for Q3 FY24: The consolidated sales were recorded at Rs.3,700 crore, viz-a-viz Rs.3,623 crore in Q3FY23, up 2% on y-o-y basis. Profitability at EBIDTA level in Q3FY24 was recorded at Rs.563 crore as against Rs.349 crore in Q3FY23, an impressive increase of 61% on y-o-y basis. Operating profit margins were recorded at 15.2% on consolidated basis. Operating Margins were sustained during the quarter, despite some increase in raw material prices. Cash profit doubled to Rs.456 crore during the quarter. Profit after tax (PAT) was Rs.227 crore, more than 3x increase on y-o-y basis. Consolidated capacity utilization was 85%. Consolidated exports stood at Rs.570 crore, lower by 5% on y-o-y basis.

Subsidiary companies, namely, Cavendish Industries Ltd. and JK Tornel, Mexico continued to perform well and contributed significantly to the revenues and profitability on consolidated basis. Cavendish (CIL) posted a topline of Rs.900 crore, with EBIDTA at Rs.140 crore registering an operating margin of 15.6%. Profit after tax stood at Rs.50 crore. Earnings per share (EPS) improved to Rs.8.52 per share as against Rs.2.66 per share in Q3FY23. Return ratios have significantly improved. ROCE (pre-tax) and ROE were in high teens.

Net debt stood at Rs.3,456 crore as on December 31, 2023 lower by 24% over March 2023 levels. Leverage ratios improved significantly over March'23. Net debt to equity improved to 0.75x in Q3FY24 as against 1.29x as at end of March 2023 and Net debt to EBIDTA improved significantly to 1.72x in Q3FY24 as against 3.39x at end of March 2023.

The Balance Sheet of the company is much healthier with improved financial ratios. We have already circulated our Earnings Presentation, which is available on our website as well as on the stock exchange websites. Now, we open the forum for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Aditya Agarwal from Omkar Capital. Please go ahead.

Aditya Agarwal: What is the revenue mix by market for India operations for the quarter?

Anshuman Singhania: Replacement market accounts for 61%, OEM is 26% and export is 13%.

Aditya Agarwal: And what is the revenue mix by product line for India operations for Q3?

Anshuman Singhania: Truck & Bus, which includes Truck Bias and Truck Bus Radial is at 62%. Passenger line radial is 23%, 2/3-wheeler is 5% and non-truck bias is 11%.

Moderator: Our next question is from the line of Aditya Rathi from Aequitas Investment. Please go ahead.

Aditya Rathi: Sir, we see that the sales has grown only 2% Y-o-Y. So I just wanted to know the volume change?

Anshuman Singhania: Volume have grown by 6% over corresponding quarter.

Aditya Rathi: This 6% is Y-o-Y, right, sir?

Anshuman Singhania: Yes.

Aditya Rathi: Right and then Q-o-Q?

Anshuman Singhania: On Q-o-Q, Volumes were lower by 5% on consolidated basis.

Aditya Rathi: Right, sir. And sir, going forward, what are we expecting, sir, in terms of volume?

Anshuman Singhania: We are very optimistic on our outlook in terms of the growth in the market, which is led by the infrastructure growth. There is a lot of positive sentiment in the domestic market. As I said, private sector capex is coming back, which result in higher vehicle utilisation. So, we are expecting a volume growth of 6% to 7% going forward.

Aditya Rathi: Sorry, sir, could not hear you, there was a crack in your voice.

Anshuman Singhania: I am sorry, I can't hear you properly.

Sanjeev Aggarwal: Anshuman ji mentioned that there will be 6% to 7% volume growth going forward.

Aditya Rathi: Okay, perfect.

Moderator: Sir, should I proceed for the next question?

Sanjeev Aggarwal: Yes, please.

Moderator: Our next question is from the line of Chirag Jain from Emkay Global. Please go ahead.

Chirag Jain: Sir, I had a couple of questions broadly in terms of the capex that we are doing and also the upcoming capex that we have already announced, bulk of the capex is happening on the PCR side. And that's a fairly significant capex that we are incurring. So can you just throw some light? And so just to understand or get some more visibility in terms of how we would be ramping up, let's say, business on the PCR side, gaining market share. In fact, last five years, we have been gaining.

Even, let's say, this year, so far, we have been gaining, let's say, profit pool compared to the other tyre companies that we have so far that they have delivered results. So some confidence, if you can or let's say some comments with respect to the marketing side, distribution side, apart from the capacity increase that we are doing on PCR, how we can ramp up the operations over here.

Anshuman Singhania: So, as you already know, we are going to be complete the ongoing TBR and PCR capex of Rs.800 crore by end of FY'24 and further to that, we have announced Rs.1,400 crore capex, which is in the category of PCR, TBR and All Steel Radial in order to cater the expected growth in the market.

As informed**,** In Q3, the domestic volumes, we witnessed a growth of 7% over the corresponding quarter led by replacement market, which grew by 11%, and OEM grew by 6%. So, we are expecting the market growth of nearly 6% to 7% going forward. So, these capex will help the company in the fuelling growth with focus on premiumization, profitability should improve. Going forward, we would be reaping the benefit of the new investments.

Chirag Jain: Okay. So apart from the growth since bulk of the growth will be coming from PCR, which I believe is far less margin accretive compared to the company average. Do we see an upward bias on margins from a two, three-year standpoint? I understand there could be quarterly fluctuations because of commodity swings. But from a two, three-year standpoint, do you think there's an upward bias on margin profile?

Anshuman Singhania: See our capex are in the radial category which commands high-margins and this is ultimately going to be add in the overall profitability. So, as we go along, the share of high-margin products is going to enrich our product mix.

Yes, going forward, there may be some vagaries in terms of commodity prices or in terms of any price fluctuations which will be insulated because of these high profitable segments, higher rim sizes.

Chirag Jain: Okay. And just last thing before I come back in the question queue. In terms of debt reduction, it has been quite fast over the past few quarters. How do we see next two, three years, the overall debt equity position, sir?

Sanjeev Aggarwal: In fact, what we are seeing that there is a very rapid reduction in the last few quarters, which we have been able to achieve through efficient working capital management, better cash accruals and equity funds, which is there in the company. As you know, over the last 9 months, in fact, we have raised about Rs.740 crores, which is mainly for the purpose of expansion projects.

Going forward also, with the increased profitability and projects in place, which are in phased manner, we do not see any increase in debt levels from the current levels. The debt to equity will remain in the range of about 0.5 to 0.7, which is today at 0.72 and also debt to EBITDA as will be in range of 1.5x to 1.8 x, which is today at 1.72x.

The debt levels will remain within a very tight range and we have been repaying almost about RS.400 crores of debt every year. So, we would be in a much better situation in terms of debt levels going forward.

Chirag Jain: Thank you so much, sir, for the detailed answer. I will come back in the queue.

A.K. Kinra: On one hand, profitability is going up. On the other hand, we have raised equity. And on the third hand, the working capital management is being properly utilized so that the total borrowings are less. So financially, I think we are in a very happy situation at the moment.

Chirag Jain: Thank you so much, sir. I will come back in the queue.

Moderator: Thank you. Our next question is from the line of Bharat from Living Route. Please go ahead.

Bharat: I would like to ask that -- ultimately you were saying that we are scheduled to complete our capex programs by FY'24. So what will be the peak revenue potential as per the capex programs once the capex programs are complete?

Anshuman Singhania: We are looking at Rs.18,000 crores to Rs.19,000 crores with the ongoing expansions in place. Projects are progressing well and ramp is underway.

Bharat: So this is a mix of -- so once -- so quarter 2 FY'25, I think you are saying by June, July of this current year, right?

Sanjeev Aggarwal: Anshuman ji mentioned that the production has started out of the latest projects which is progress and ramp-up is happening. The full production will happen from first quarter of the financial year FY'25. Then, we will be in a position to achieve Rs.18,000 crores to Rs.19,000 crores of revenue.

Bharat: Okay. So meaning the ramp up will already -- so you're saying the production has already started and then ramp-up will happen.

Sanjeev Aggarwal: Ramp up is happening at this point in time.

Bharat: Okay. And you see that much demand to sort of do that much revenue because I think in this quarter, I missed the first initial part of the call, five minutes -- so I think the revenue was --

revenue growth compared to last quarter in September was slightly lower. So if you can just touch upon the reason again, please?

Sanjeev Aggarwal: There is a growth of about 6% to 7% expected in the tyre sector as per various agencies like CRISIL etc. This is likely to continue over the long period of time. On quarter-on-quarter basis, there could be a slight reduction. But overall, Indian volumes have gone up in this quarter also.

Anshuman Singhania: In terms of the volumes for the quarter 3, overall 7% growth is there which is led by replacement grew by 11% and OE grew by 6%.

So, we are expecting the growth in the industry to continue in the long run and there could be some disturbance geopolitically in the export market or maybe in the international business and all. But those are very temporary in nature.

Bharat: Okay. So one more thing I think on the raw material part, of course, crude is -- you have already mentioned Sanjeevji and others also that crude you're comfortable up to a level of $85 a barrel. But if you talk about the other major component that is natural rubber, so that price in the last few months have gone up from like Rs.140 to around Rs.160, Rs.165 now. So what role does that play because that is also a decent component of your raw material basket, isn't it?

Sanjeev Aggarwal: So, as we mentioned earlier also that we have been actually ring-fencing the margins and margins in the range of about 13% to 15%. And there could be some fluctuation in one raw material or the other in the basket. But that is not likely to impact the company's profitability because we will be in a good position to pass on. A large part of it could be with some lag effect. But I think we are good to go with as long as the demand is there and because we are expecting a good demand increased growth going forward. So the margins will be maintained in a healthy range of about 13% to 15%.

Bharat: Okay. And I think one final question, if I can just squeeze in for Mr. Kathuria that -- how do you see the CV cycle right now? Because I think this is -- this year is expected -- the current financial year of FY24, we're seeing the highest ever sales of CVs. So going ahead, what's your outlook on the CV industry?

Anshuman Singhania: In CV market, we are seeing some sluggishness at the moment, which is in short term. As the economy is also fuelling up and the core sector growth is coming in, we're would expect demand coming in CV market. Demand is going to be stable.

Moderator: Thank you. Our next question is from the line of Mitul Shah from DAM Capital.

Mitul Shah: Congratulations for a very strong EBITDA margin performance vis-a-vis peers Sir, first question is on volume growth. When we are indicating 7% growth -- So 7% volume growth is for Q4 or going forward even '25, '26 we'll witness similar growth? And on that only in case if we are assuming 7% growth and OEM, CV as well as tractor sales are coming down on a Y-o-Y basis. So that means OEM growth would be more or less slight or marginal growth that implies that replacement growth should be 12%, 15% type of number. Is that assessment, right, sir?

Anshuman Singhania: Your question is finished?

Mitul Shah: Yes, yes.

Anshuman Singhania: As informed, we have witnessed a volume growth of 7% in Q3 wherein replacement volume grew by 11% and OEM grew 6%. We see that momentum continuing for the next quarter as well. But going forward, there could be some slight volume growth, which might come slightly lower in the OEM because of some sluggishness in the truck space.

But on overall basis, we expect 6% to 7% growth in the automotive industry. Further, please don't forget that this growth of 7% has also come in quarter where demand is impacted by New Year and model change etc.

Mitul Shah: So the replacement growth will continue to remain double-digit, right?

Anshuman Singhania: Yes, absolutely.

Mitul Shah: Sir, second question on debt side, when we are saying that debt will not increase from this level. So sir, broader calculation is that we are saying Rs.1,400 crores capex for the next two years. We already have Rs.700 crores kind of cash at balance sheet. And nearly, we are generating Rs.1,400 crores, Rs.1,500 crores cash flow every year now based on the current last three, four quarters performance.

So that implies that out of almost Rs.3,000 crores operational cash and Rs.700 cash crores on balance sheet, we would be able to reduce our debt by more than Rs.1,000 crores or Rs.1,500 crores in next two years. So while we are saying that it will be more or less in the similar range.

Sanjeev Aggarwal: So, the net debt as at 31st of December was about Rs.3,500 crores which is going to reduce further, as we are expecting better cash flows going forward with increased revenues and increased profitability. Basis which, we have taken up some of the projects.

New loans will come under expansion projects, but the repayment of existing loans will also happen at the same time. We will be in a better situation to reduce the debt going forward but I am saying that in case some more projects are taken up going forward then the broad levels of the debt-to-equity will be in the range of 0.5% to 0.7%.

Arun Bajoria: However, the new project will depend on the market demand and the conditions.

Sanjeev Aggarwal: But as of now, we see that the debt levels will go down further at a very fast pace.

Mitul Shah: Okay, sir, lastly on this Mexico operation, we are hearing that in US and North America may increase tariff on all the imported tyres. So is there any update on that? And in that case, can we ramp up our Mexico operation to capitalize this benefit? What is the utilization and potential in the plants in terms of increasing manufacturing?

Arun Bajoria: Presently, the utilization level is around 81%. Therefore, we have some possibility to increase the capacity utilization, which we are planning and there is no question of the reduction of the export quantities from Mexico to USA.

Moderator: Our next question is from the line of Aditya Rathi from Equities Investment. Please go ahead.

Aditya Rathi: Sir, I just wanted to know how this capex of Rs.1,400 crores will phase out and when do we plan to start the commercial production of it?

Anshuman Singhania: The new capex of Rs.1,400 crores will commence by Q3FY26.

Aditya Rathi: You mentioned Q3 FY26, right?

Anshuman Singhania: Yes.

Aditya Rathi: Okay. And sir, last question, sir, I wanted to know how the raw material basket has moved from last quarter to this quarter? And what do we expect it going forward?

Anshuman Singhania: On a quarter-on-quarter basis, the raw material prices have increased by about 2%.

Aditya Rathi: Do we expect it to be stable here or do we expect any movement? Or shattering units?

Anshuman Singhania: No, we expect that raw material prices will remain in a range-bound in the Q4FY24.

Moderator: Our next question is from the line of Shashank from ICICI Securities. Please go ahead.

Shashank Kanodia: Sir, just one small clarification on the capex part. So, we are already executing Rs.1,100 crores of capex before and in the last quarter we announced Rs.1,025 crores capex putting together Rs.2,200 cores of capex plan. So this 800 and 1,400 are part of the same plan or this is from incremental capex that we are supposed to do?

Sanjeev Aggarwal: That is the incremental capex which is mainly in the PCR and TBR. Presently, we have completed Rs.530 crores for PCR and Rs.260 crore for TBR and production ramp up is happening. This incremental capex is for PCR for Rs.1025 crore, Rs.261 crores for TBR and RS.112 crores for the all-steel radial tyres

Shashank Kanodia: Starting FY '23 till '26 so this full year period, what will be -- what is the entire CapEx spend, the growth capex spend?

Sanjeev Aggarwal: So, as we said Rs.800 crores has already been completed wherein production ramp-up is happening and further we will be implementing Rs.1,400 crores of expansion capex.

Shashank Kanodia: Rs.2,200-odd-crores, right?

Sanjeev Aggarwal: Yes.

Shashank Kanodia: And will be spending something like Rs.250 crores of maintenance capex each year as well.

Sanjeev Aggarwal: Yes

Shashank Kanodia: So, sir then in terms of cash flow outflow, sir, how do we see the capex outlook for this year and next year in terms of the capex spend?

Sanjeev Aggarwal: I think we have discussed already. We have been implementing the projects in phases to be implemented over the next two years period. So this funding of these capex will happen from -- through a mix of debt and equity. The equity part has been already raised of about Rs.500 crores recently, and the balance will come from internal accruals and the debt.

Shashank Kanodia: But sir, from a cash flow perspective, then eventually, we should be spending like Rs.1,000 crores each year, right, '24, '25, '26.

Sanjeev Aggarwal: Yes correct, including the normal capex of Rs.250 crores to Rs.300 crores.

Shashank Kanodia: Right sir. Understood sir. Thank you so much and wish you all the best.

Moderator: Thank you. Our next question is from the line of Mitul Shah from DAM Capital. Please go ahead.

Mitul Shah: Thank you for follow up opportunity. Sir, one clarification when we told that revenue potential of Rs.18,000 crores to Rs.19,000 crores, that is including this Rs.800 crore capex only or we consider this Rs.1,400 crore capex post debt potential goes to Rs.19,000 crores.

Sanjeev Aggarwal: This only with the existing projects, which we have recently completed. The new capex will come only after Q3 of FY '26. So, which is not included in this.

Mitul Shah: So after that, what could be revenue potential, including the Rs.1,400 crore of capex maybe after two years?

Sanjeev Aggarwal: Additional revenues will be in asset to turnover of 1.1 to 1.2x. This will further add revenues of about Rs.1,500-1,600 crores.

Mitul Shah: Okay, sir. And second on Cavendish, we are already now at a 15.5%, 16% type of EBITDA margin. So is there any further scope for improvement in margin with the utilization or product mix or it is the optimum level for Cavendish now?

Anuj Kathuria: Yes. So actually, if you see, we have been working on premiumization and improving our product mix. So, this exercise will continue. But also, we have seen an impact of 2% on raw material prices in Q3FY24. Considering everything is favourable going forward, definitely, there will be an opportunity to improve the margins. But we should also keep in mind that the the components of the raw material basket may be volatile.

So, we have to be watchful, both in terms of crude as well as in terms of natural rubber. So, in case those turn out to be favourable with our efforts on premiumization going to give us the results. Otherwise, as we say for our industry, that 13% to 15% is something which can be taken as stable guidance.

Mitul Shah: Sir, lastly, on Mexico operation, again, this quarter was Q-on-Q sequentially, slightly weaker. Anything onetime, any specific thing or going forward how we expect performance in terms of volume as well as margins?

Arun Bajoria: Well, going forward, the revenue should be improving and markets are expected to be better. As I said earlier, that our capacity utilization in 2024 is expected to be better than 2023.

Mitul Shah: But nothing specific for Q3 in terms of number of days or holidays or anything?

Arun Bajoria: As, I said that the 17 days of December are lost due to the Christmas holidays. Therefore, Q3 is affected because of the lesser number of working days.

Mitul Shah: Understood sir. Thanks sir, thanks a lot.

Moderator: Thank you. Our next question is from the line of Rahil Shah from Crown Capital.

Rahil Shah: Hi sir, good evening. How was the M&HCV demand in quarter three? And how is it likely to be in quarter four?

Anuj Kathuria: When you're talking about M&HCV demand, the demand from OEs was sluggish, I would say. It was almost flat as compared to the previous quarter. Going forward, quarter four is generally a good quarter. We can expect that the demand should come back in quarter four, although we have to wait and watch this very carefully because as we know that the M&HCV has the largest amplitude in cyclicality. In last two, three years we have seen that there is an upcycle.

So, we have to wait and watch on the cycles. Are this being kind of flattening out or the upcycle going to continue. One thing which I would like to definitely say that buses are doing very well. In fact, the demand for the bus tyres is quite robust, especially the tubeless radials and also the demand in the mining and construction is holding up quite well.

We hope that the infra push from the government will continue which will generate better demand. But when we look at the replacement market, the demand is quite good as of now also and going forward it will continue to remain robust.

Rahil Shah: Okay. And this 13% to 15%, you said sustainable margin steady state. You meant for like a specific business arm or on consol level you said for Q4 and going ahead in the next year as well?

Anuj Kathuria: 13% to 15% was on a longer-term basis on a steady state, but one has to be watchful for the volatility in raw material basket.

Rahil Shah: Right. Okay. And can you just give me the JK Tornel revenue this quarter?

Arun Bajoria: For this quarter, this was Rs.620 crores.

Rahil Shah: Okay. Okay. And any sharing any guidance for next year revenue growth?

Arun Bajoria: We are working towards improving this revenue going forward in 2024.

Moderator: Our next question is from the line of Chirag Jain from Emkay Global.

Chirag Jain: Sir, just had one question with respect to the competitive scenario because growth has somewhat been slow in the current quarter and even RM also stabilized. Any signs of discounting or price cuts or any major sort of a competitive action that we are seeing in the market in general? Any thoughts around that?

Anuj Kathuria: If you see, when the raw material costs are going up, we had actually taken-up price increases, and we were able to pass on the impact of the raw material in the market, although with a a lag. But this year, we have seen that the raw material prices have been moving in a range bound scenario.

We saw a marginal increase of 2% in the quarter three. We expect that going forward, this will in rangebound as well. On the pricing front, it is very difficult to give a very straight answer for the simple reason that each segment plays out differently and within the segment also, we have premium SKU's. So there are certain niche SKUs, what we call as the power SKUs, where we have taken certain price increases.

But in general, pricing is a function of the supply and demand in the marketplace. So, segment-to-segment, as SKU-to-SKU this navigates. Overall, if you see, NSR and pricing have been maintained.

Chirag Jain: Okay. So broadly, the market is fairly stable from a competitive landscape perspective, no major change per se.

Anuj Kathuria: Yes.

Moderator: Our next question is from the line of Bharat from Living Route.

Bharat: I just missed one question. I wanted to ask regarding the tax rate. So in the previous quarter, you had mentioned that from the next year, we are moving to a 26% tax rate. So we're still on track for that.

Sanjeev Aggarwal: We are very much on track, and we will be consuming the entire max credit available within this financial year and we will move forward from to new tax regime from next year onwards.

Moderator: As there are no further questions from the participants, I now hand the conference over to management for closing comments.

Anshuman Singhania: Okay. Thank you so much for joining this conference call and I wish you all a good year ahead.

Moderator: Thank you. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us and you may now disconnect your lines.